

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 PM-05 NSC-05 SP-02 SS-15
PRS-01 CIAE-00 INR-07 NSAE-00 /058 W
-----058162 121846Z /43
R 121128Z SEP 77
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 3269
INOF RUKORE/AMEMBASSY SEOUL 227

C O N F I D E N T I A L VIENNA 8198

E.O 11652: GDS
TAGS: EEWT, EFIN, KN, AU
SUBJECT: AUSTRIAN BANKER VISITS PYONGYANG

REF: VIENNA 6643 AND 6558; SEOUL 5929

1. SUMMARY. ALTHOUGH PULIC REPORTS OF WINTER BANK
PRESIDENT MOSKOWICS' TRIP TO NORTH KOREA MENTIONED ONLY
TOURIST AND CULTURAL ACTIVITES, SUBWEQUENT CONTACTS
HAVE REVEALED OTHER, MORE SERIOUS PURPOSES. END SUMMARY.

2. ACCORDING TO OUR SOURCES, THE DPRK TEAM THAT VISITED
EUROPE IN LATE SPRING CONTACTED PRESIDENT MOSKOVICS OF
VIENNA'S WKNTER BANK TO SOLICIT ASSISTANCE IN UNTANGLING
NORTH KOREA'S MOUNTING FINANCING PROBLEMS. MOSKOVICS
MADE TO TWO PRINCIPAL RECOMMENDATIONS. FIRST, THAT
THE DPRK OPEN A WAREHOUSING OPERATION IN VIENNA
(WHERE NORTH KOREAN PRODUCTS COULD BE DISPLAYED, INSPECTED,

AND KEPT AVAILABLE FOR DELIVERY) IN ORDER TO OVERCOME ITS
POOR REPUTATION AS A RELIABLE EXPORTER. WE UNDERSTAND
THAT DPRK PERFORMANCE IN MEETING EXPORT CONTRACT
OBLIGATIONS HAS BEEN AS BAD AS ITS REOCRD ON

FINANCIAL COMMITMENTS (E.G. A SHIPMENT OF SILVER
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TO POLAND PROVEDTO BE RADIOACTIVE). SECOND,
MOSKOVICS PROPOSED THAT THE DPRK ACCEPT ITS
OUSTANDING NOTES AND OTHER OVERDUE OBLIGATIONS AS AT
LEAST PARTIAL PAYMENT FOR NEW ORDERS. THIS DEFAULTED
PAPER WOULD BE TAKEN BACK AT AN APPROPRIATE DISCOUNT.
MOSKOVICS' THOUGHT HERE WAS REPORTEDLY TO STIMULATE
NEW EXPORTS WHILE SIMULATNEOUSLY REVIVING THE FAGGING

MARKET FOR DPRK OBLIGATIONS.

3. MOSKOVICS' SUGGESTIONS LED TO THE INVITATION TO VISIT NORTH KOREA FOR FURTHER DISCUSSIONS, BUT DO NOT SEEM TO HAVE GOTTEN MUCH FURTHER. DPRK AUTHORITIES HAVE SO FAR BEEN UNWILLING TO ENTER A WARHOUSING ARRANGEMENT, REPORTEDLY BECAUSE IT WOULD BE AN OPEN ADMISSION OF WEAKNESS AS AN EXPORTER. THERE WAS LIMITED WILLINGNESS TO ACCEPT NOTES AS PARTIAL PAYMENT FOR NEW ORDERS, BUT WHEN THE DPRK DEFAULTED ON THE RESCHEDULED PAYMENT DUE IN AUGUST, AUSTRIAN INTEREST IN EVEN NEW PARTIAL CREDITS APPARENTLY MELTED.

4. WE UNDERSTAND THAT MOSKOWICS WAS IMPRESSED WITH NORTH KOREA'S POTENTIAL AS A COMPETITIVE SOURCE OF METALS, MINERALS AND SEMIFINISHED PRODUCTS AND BY THE INDUSTRIOUSNESS OF THE LABOR FORCE, IF ONLY A BREAK COULD BE MADE IN THE VICIOUS CIRCLE WHICH HAS DEVELOPED OF POOR EXPORT/POOR FINANCIAL PERFORMANCE. WOLF

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKERS, VISITS, MEETINGS, FOREIGN ASSISTANCE, LOANS
Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977VIENNA08198
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770330-0145
Format: TEL
From: VIENNA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770972/aaaaciyp.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 49550548-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 VIENNA 6643, 77 SEOUL 5929
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1302103
Secure: OPEN
Status: NATIVE
Subject: AUSTRIAN BANKER VISITS PYONGYANG
TAGS: EEWT, EFIN, KN, AU
To: STATE SEOUL
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/49550548-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009